

WHAT IS CLAIMED IS:

1. A method of reducing earnings volatility in accounting for a derivative portfolio, the method comprising:
determining a first sensitivity value of a portfolio to underlying market conditions;
5 trading in an immunizing instrument having a second sensitivity value substantially equal in magnitude and opposite in value of the first sensitivity value; and
trading in a qualifying instrument having a third sensitivity value substantially equal to the first sensitivity value.
- 10 2. The method of claim 1 wherein the underlying market conditions comprise price and rate conditions.
3. The method of claim 1 wherein where the first, second and the third sensitivity values comprise notational amount values.
- 15 4. The method of claim 1 wherein where the first, second and the third sensitivity values each comprise composite values and each of said sensitivity values is based on a different plurality of financial instruments.
5. The method of claim 1 wherein the portfolio comprising a derivative portfolio comprising an instrument for which changes in value are accounted for as quarterly earnings pursuant to Financial Standards Accounting Board Statement Number 133.
- 20 6. The method of claim 1 wherein the sensitivity is expressed as a schedule of forward notional amounts.

7. The method of claim 1 wherein trading in the immunizing instrument comprises transacting an at-the-market purchase establishing a long position in a first trading instrument.
8. The method of claim 7 wherein trading in the qualifying instrument comprises transacting an at-the-market fixed price sale establishing a short position in a second trading instrument.
- 5 9. The method of claim 8 wherein the first trading instrument comprises a plurality of different constituent financial instruments.
10. The method of claim 1 wherein the portfolio, the first trading instrument, and the second trading instrument are related to a same commodity.
11. A method of structuring a derivative portfolio comprising:
 - determining a sensitivity of the derivative portfolio with respect to financial conditions in a trading market, the derivative portfolio comprising a first financial instrument for which change in value are characterized as earnings pursuant to FAS 133 accounting;
 - executing an immunizing purchase of a second trading instrument in an amount equal to the magnitude of the current sensitivity and opposite in value; and
 - 15 executing a qualifying sale of a third trading instrument in an amount equal to amount of the current sensitivity.
12. The method of claim 11 wherein the amount equal to the current sensitivity comprises a quarterly forward amount.
13. The method of claim 11 wherein the first trading instrument, the second trading instrument,
20 and the third trading instrument are each related to a same commodity.

14. The method of claim 11 wherein the purchase of the immunizing purchase comprises an at-the-market long swap.

15. The method of claim 11 wherein determining a sensitivity comprises determining a delta measurement.

5 16. A computer system comprising:

a processor coupled to a memory comprising instructions to configure the processor to
reducing earnings volatility in a derivative account pursuant to FAS 133, the instructions
further comprising instructions to cause the processor to:
determine a first sensitivity value of a portfolio to underlying market conditions;
trade in an immunizing instrument having a second sensitivity value substantially equal in
magnitude and opposite in value of the first sensitivity value; and
trade in a qualifying instrument having a third sensitivity value substantially equal to the first
sensitivity value.

17. The system of claim 16 further comprising instructions to

15 determine the immunizing instrument based on a stored database of FAS 133 accounting
rules characterizing changes in value of the immunizing instrument as subject to
accounting as earnings; and
determine the qualifying instrument based on the stored database of FAS 133 accounting
rules characterizing changes in value of the qualifying instrument as subject to
20 accountings as other comprehensive income (OCI).